

JOINT ECONOMIC COMMITTEE

ROBERT F. BENNETT, CHAIRMAN

THE STATE OF UTAH'S ECONOMY SPRING 2004

Overview

Utah's economy continues to pick up steam. Following a period of job losses, job growth resumed last year and the unemployment rate fell. Through April of this year, Utah has seen continued additions of payroll jobs and further reductions in the unemployment rate. Forecasters see a continuation of the pickup in Utah's economy throughout this year with more jobs, income and output.

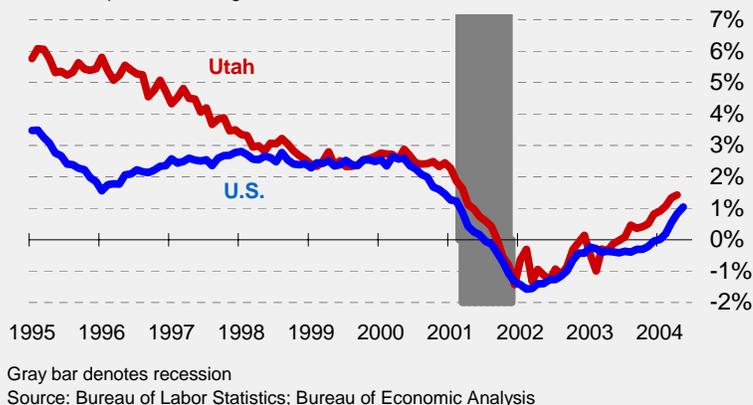
More Jobs and Declining Unemployment Help Buoy the Economy

As in the nation, Utah's labor markets turned to job creation last year following declines in employment in 2002 and much of 2003. Nonfarm employment in the state fell by 1,500 in 2002 and 8,800 in 2003. During 2003, the education and health services industries posted the highest rate of job growth while the natural resources and mining sector of the economy experienced the largest job losses of any sector in the state. Through April of this year, Utah has seen broad-based gains of 3,200 new jobs.

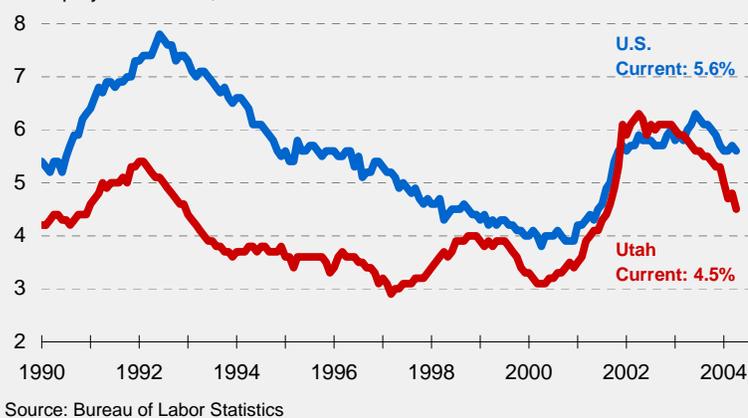
Utah's unemployment rate also reflects improving labor market conditions. Following a rise above the national unemployment rate in 2001, Utah's unemployment rate fell and remains below the national rate. In April, Utah's unemployment rate dropped to 4.5%, down substantially from an average of 5.6% during 2003 and 6.1% during 2002. Utah's 4.5% unemployment rate in April compares favorably to the U.S. unemployment rate, which was 5.6% for the month of April.

Personal income growth in Utah stabilized in 2003 at 2.8% on a year-over-year basis, the same growth as in 2002. While low relative to historic standards, growth has accelerated in recent quarters and is expected to accelerate further to an annual pace of around 4% in 2004 as the state economy continues its recovery. Median household income

Utah Non-Farm Employment Growth Positive in 2004
Year-over percent change



Utah Unemployment Rate Below National Rate
Unemployment Rates, SA

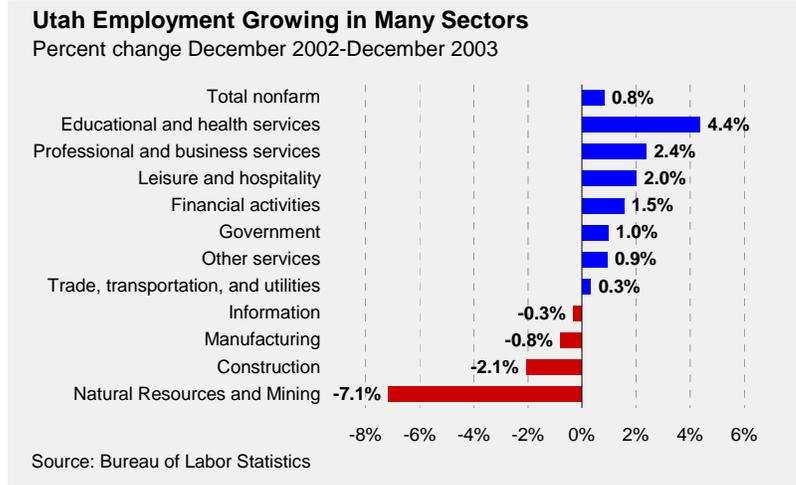


(half of households earn more and half earn less) in Utah remains substantially above the national average.

Industry Focus

Energy. As in the nation, Utah faces elevated energy prices. Because Utah produces more energy than it consumes, the state is a net energy exporter. Net energy exports have been fairly steady, averaging around one-third of state production, or roughly 330 trillion btus (British thermal units), since around 1990.

Finance. The financial activities sector posted output growth and employment gains of 1,000 new workers in 2003, fueled by historically low interest rates which have generated a significant amount of financing activity. Venture capital has begun flowing back into Utah businesses, especially high tech businesses. Utah continues to report some of the highest personal bankruptcy and foreclosure start rates in the nation.



Minerals. The value of mineral production in Utah has recently been propped up by increases in metals prices and improving global growth. While the value of mineral production increased by almost 3% last year, employment in the sector fell by around 7% from 2002 levels.

Agriculture. Utah agriculture has been adversely affected by the drought, and recovery probably will not occur unless precipitation patterns change. Recent data from the U.S. Department of Agriculture's Census of Agriculture, conducted every five years, show that in 2002 there were 15,282 farms in Utah averaging 768 acres in size. \$1.1 billion worth of agricultural products from Utah were sold in 2002.

Construction. Overall, Utah's construction sector posted job losses last year, a continued decline following a large construction buildup of recent years tied to the 2002 Olympic Winter Games preparation and freeway/light rail spending.

- Residential construction was very vibrant in Utah in 2003. For the first time, the value of residential construction exceeded \$3 billion, 20% higher than the previous record set in 2002 after adjusting for inflation. There appears to be little threat of an "overbuilt" housing market. The inventory of unsold new homes, for example, remains very low because of rapid sales activity stemming from historically low mortgage interest rates. It is also unlikely that there is a price "bubble" in residential housing prices in the state. Utah housing prices increased 1.6% in 2003, the smallest increase in the nation.
- Nonresidential construction in Utah increased in 2003, rising to \$1 billion from \$900 million in permit-authorized value a year earlier. However, vacancy rates in office and industrial markets suggest that some idle capacity in the nonresidential structures market must still be absorbed before nonresidential construction heats up.

High Tech. There were some mixed messages from this sector in 2003. Venture capital funding to Utah businesses grew to around \$102 million in 2003, from \$97 million in 2002, a recovery from the declines in venture funding in 2000 and 2001. This suggests recovery in the high tech sector. At the same time, Utah's manufacturing job losses last year were centered in computer and electronics manufacturing. Looking ahead, forecasters see increasing demand for semiconductors and related equipment.

Tourism. Utah tourism was stable in 2003 with nonresident visitor counts at the same level as 2002. Because the 2002 level came from an Olympic year, 2003 was a solid year for tourism. Since the beginning of 2003, 2,000 jobs have been added to the leisure and hospitality sector of Utah's economy.

Education and Health Services: Growth in this sector, primarily in the area of healthcare, has been strong in Utah throughout the recent economic downturn. Employment in Utah's education and healthcare sector posted the largest growth of any sector in the state in 2003 of 4.4%. Growth in education and healthcare employment in coming years should outpace growth in other sectors.

Trade, Transportation, and Utilities: The trade, transportation, and utilities sector of the economy, which includes wholesale and retail trade, has maintained payroll employment at roughly the same level as a year ago.